

AMENDED IN SENATE MAY 7, 2003

SENATE BILL

No. 527

Introduced by Senator Vasconcellos

February 20, 2003

An act to add Chapter 12 (commencing with Section 15399.70) to Part 6.7 of Division 3 of Title 2 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

SB 527, as amended, Vasconcellos. Economic development: task force.

Existing law requires the Secretary of Technology, Trade, and Commerce to convene the California Economic Strategy Panel, which includes specified appointed members, to provide recommendations regarding an economic development strategic plan.

This bill would ~~establish in state government~~ *require the panel, no later than 60 days after this bill takes effect, to convene the Economic Development Accountability Task Force, with specified public and private members. The bill would require charge the task force to, using the statement of economic goals included in the biennial economic development strategic plan prepared by the California Economic Strategy Panel, develop outcome indicators based on standard objective econometrics, with developing a system of accountability for use in the annual state budget process and in the legislative process to evaluate measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy, and crafting indicators based on standard objective measures of growth by consulting the statement of economic goals included in the biennial economic development strategic plan prepared by the panel.* The bill

also would require the task force to develop a standard definition of economic development and to conduct specified studies related to the economic development sections of the state budget. It would require the task force to submit a report of its findings and recommendations to the Legislature no later than one year after its first meeting.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. (a) *The Legislature hereby finds and declares*
2 *all of the following:*
3 (1) *There has been a renewed interest in how public policies*
4 *and public dollars can best be spent to stimulate the economy.*
5 *Most of the debate has focused on what new efforts might be*
6 *initiated to improve the state's economy. Little attention has been*
7 *focused on whether the billions of dollars the state already spends*
8 *each year to promote a healthy economy are achieving the desired*
9 *result.*
10 (2) *The Senate Select Committee on Economic Development, in*
11 *hearings held in 2002, found a unanimous recognition of the need*
12 *for both of the following:*
13 (A) *A better definition of the role of state government in*
14 *economic development.*
15 (B) *Better measures to comprehensively evaluate existing and*
16 *future state economic development programs.*
17 (3) *The need for a system of accountability for state economic*
18 *development investments was similarly articulated in a 2001*
19 *California Budget Project report entitled "Maximizing Returns: A*
20 *Proposal for Improving the Accountability of CA's Investments in*
21 *Economic Development." This report stressed that, in spite of*
22 *recent efforts to implement accountability and performance*
23 *standards for education, no focus has been given to developing*
24 *similar measures to evaluate state economic development*
25 *investments.*
26 (b) *It is the intent of the Legislature in enacting this act to*
27 *provide for all of the following:*
28 (1) *The development of a method to thoroughly evaluate state*
29 *investments in economic development to ensure that a reasonable*
30 *return is being made on those investments.*



(2) *The evaluation of the effectiveness of both tax expenditures and economic development programs.*

(3) *The design of a system of expenditure analysis to be used by the Legislature, the Legislative Analyst, and the Department of Finance in the annual budget and appropriations process.*

SEC. 2. Chapter 12 (commencing with Section 15399.70) is added to Part 6.7 of Division 3 of Title 2 of the Government Code, to read:

CHAPTER 12. ECONOMIC DEVELOPMENT ACCOUNTABILITY TASK
FORCE

15399.70. ~~There is in state government~~ *The California Economic Strategy Panel shall convene* the Economic Development Accountability Task Force, which is ~~comprised of all of the following:~~

~~(a) All of the following or his or her designee:~~

~~(1) The Director of Finance.~~

~~(2) The Legislative Analyst.~~

~~(3) The Executive Officer of the Franchise Tax Board.~~

~~(4) The Chairperson of the State Board of Equalization.~~

~~(5) The Chairperson of the Senate Committee on Budget and Fiscal Review.~~

~~(6) The Chairperson of the Senate Committee on Revenue and Taxation.~~

~~(7) The Chairperson of the Assembly Committee on Budget.~~

~~(8) The Chairperson of the Assembly Committee on Revenue and Taxation.~~

~~(9) The Secretary of Technology, Trade, and Commerce.~~

~~(10) The Secretary of Business, Transportation and Housing.~~

~~(11) The Director of the California Research Bureau.~~

~~(12) One of the Governor's appointees to the California Economic Strategy Panel.~~

~~(b) Two representative of each of the following categories or entities, one appointed by the Speaker of the Assembly and one by the President pro Tempore of the Senate:~~

~~(1) Local economic development agencies.~~

~~(2) Small business companies.~~

~~(3) Chambers of commerce.~~

~~(4) Organizations representing large industry.~~

~~(5) Nonprofit organizations.~~

~~(c) An academic expert in economics.~~

~~(d) An academic expert in public policy, charged with both of the following:~~

~~(a) Developing a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy.~~

~~(b) Crafting indicators based on standard objective measures of growth by consulting the statement of economic goals included in the biennial economic development strategic plan prepared by the California Economic Strategy Panel pursuant to Section 15363.10.~~

15399.71. The Economic Development Accountability Task Force shall do, at a minimum, all of the following:

~~(a) Using the statement of economic goals included in the biennial economic development strategic plan prepared by the California Economic Strategy Panel pursuant to Section 15363.10, develop outcome indicators based on standard objective econometries, for use in the annual state budget process and in the legislative process to evaluate policies, programs, and tax expenditures intended to stimulate the economy.~~

~~(b)–~~

~~(a) Develop a standard definition of economic development.~~

~~(b) Develop, for use in state law, standard measurements of real per capita income, job growth, new business creation, private sector investment, minority entrepreneurship, and income inequality.~~

~~(c) Survey and evaluate efforts in other states to develop accountability measures for public investments in economic development.~~

~~(c) Develop, for use in state law, standard measurements of real per capita income, job growth, new business creation, private sector investment, minority entrepreneurship, and income inequality.~~

~~(d) Develop a standard definition of economic development.~~

~~(e)–~~

~~(d) Determine whether a return on investment calculation is feasible for public investments in economic development.~~

~~(f)–~~

1 (e) Conduct a comparative study of various methodologies for
2 preparing the economic development sections of a state budget,
3 including unified functional budget, zero-based budget, and
4 performance-based budget methodologies.

5 ~~(g)~~

6 (f) Study the feasibility of statutory disclosure requirements on
7 specified publicly funded subsidies to private sector businesses.

8 15399.72. The Economic Development Accountability Task
9 Force is comprised of all of the following:

10 (a) Each of the following or his or her designee:

11 (1) The Director of Finance.

12 (2) The Legislative Analyst.

13 (3) The Executive Officer of the Franchise Tax Board.

14 (4) The chairperson of the State Board of Equalization.

15 (5) The chairperson and vice chairperson of the Senate
16 Committee on Budget and Fiscal Review.

17 (6) The chairperson and vice chairperson of the Senate
18 Committee on Revenue and Taxation.

19 (7) The chairperson and vice chairperson of the Assembly
20 Committee on Budget.

21 (8) The chairperson and vice chairperson of the Assembly
22 Committee on Revenue and Taxation.

23 (9) The Secretary of Technology, Trade, and Commerce.

24 (10) The Secretary of Business, Transportation and Housing.

25 (11) The Director of the California Research Bureau.

26 (12) One member of the California Economic Strategy Panel,
27 to be selected by the chairperson of the panel.

28 (b) Two representatives of each of the following categories or
29 entities, one appointed by the Speaker of the Assembly and one
30 appointed by the President pro Tempore of the Senate:

31 (1) Local economic development agencies.

32 (2) Small business companies.

33 (3) Chambers of commerce.

34 (4) Organizations representing large industry.

35 (5) Nonprofit organizations.

36 (6) Academic experts in economics.

37 (7) Academic experts in public policy.

38 15399.73. (a) The California Economic Strategy Panel shall
39 convene the Economic Development Accountability Task Force no
40 later than 60 days after the effective date of this act.

- 1 **(b)** *The task force* shall submit a report of its findings and
- 2 recommendations to the Legislature no later than one year after its
- 3 first meeting.

